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C O N F I D E N T I A L STATE 070640

HONG KONG FOR SHARP

FOLLOWING REPEAT JAKARTA 3038 ACTION SECSTATE INFO BANGKOK,
GENEVA, KUALA LUMPUR, MANILA, SINGAPORE AND TOKYO MAR 08.

QUOTE: C O N F I D E N T I A L JAKARTA 3038

E.O. 11652: GDS
TAGS: ECON, ASEAN, ID
SUBJECT: DAS HEGINBOTHAM VISIT -- US-ASEAN DIALOGUE

1. BEGIN SUMMARY: DAS ERLAND HEGINBOTHAM'S VISIT PROVIDED
EXCELLENT OPPORTUNITY TO IMPRESS UPON GOI SENIOR OFFICIALS
USG DESIRE TO HAVE NEXT DIALOGUE SESSION IN WASHINGTON AT
MINISTERIAL LEVEL AND TO STRESS HIGH DEGREE OF IMPORTANCE
WE ATTACH TO THIS MEETING. DISCUSSIONS ON THIS SUBJECT WERE
HELD WITH MINISTER OF STATE PROFESSOR WIDJOJO, MINISTER OF
TRADE RADIUS PRAWIRO. BAPPENAS DEPUTY CHAIRMAN DR. MOOY, AND
THE NEWLY APPOINTED AND ACTING DIRECTOR OF THE GOI ASEAN
SECRETARIAT, JANWAR JANI. DURING THESE CALLS HEGINBOTHAM
EMPHASIZED THEME THAT MINISTERIAL LEVEL MEETING WOULD BE
MUTUALLY BENEFICIAL AND EXPRESSED HOPE THAT ASEAN COULD GIVE
ITS RESPONSE QUICKLY SO THAT SPECIFIC DATE COULD BE SET

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FOR MEETING AND TO ALLOW ADEQUATE LEAD TIME FOR PREPARA-
TIONS. HE ALSO EMPHSIZED NEED FOR SOME FORWARD MOVEMENT
ON PART OF ASEAN IN ORGANIZING AN ASEAN MECHANISM WITH
WHICH U.S. CAN ESTABLISH CONTACT FOR TECHNICAL DISCUSSIONS
PRIOR TO MINISTERIAL MEETING. GOI OFFICIAL WERE
PLEASED BY WASHINGTON DECISION TO HAVE NEXT MEETING AT
MINISTERIAL LEVEL. END SUMMARY.

2. MINISTER WIDJOJO'S REACTION TO U.S. DECISION TO HAVE

HIGH-LEVEL MEETING WAS EXCEEDINGLY FAVORABLE AND HE WAS CLEARLY DLEIGHTED BY THIS U.S. INITIATIVE. HE WAS, HOWEVER, CIRCUMSPECT ON QUESTION OF WHAT KIND OF MINISTERIAL DELEGATION GOI WOULD FIELD FOR THE WASHINGTON MEETING, NOTING THAT THIS WOULD OBVIOUSLY HAVE TO AWAIT OUTCOME OF PRESIDENTIAL ELECTION AND PARLIAMENTARY SESSIONS THIS MONTH. HE ADDED, WITH A TWINKLE IN HIS EYE, THAT HE EXPECTED TO BE AROUND AFTER MARCH, THUS IMPLYING THAT HE HIMSELF MIGHT BE INVOLVED IN THE WASHINGTON MEETING. DAS HEGINBOTHAM RESPONDED THAT WE HOPED THAT HE WOULD BE ABLE TO COME TO THE DALOGUE MEETING. HE NOTED THAT SECRETARY VANCE HAD AGREED TO HEAD THE U.S. DELEGATION AND THAT WE WOULD ALSO SEEK SECRETARY BLUMENTHAL'S PARTICIPATION. PRESIDENT CARTER HAD ALSO EXPRESSED HOPE THAT HE MIGHT FIND IT POSSIBLE TO PARTICIPATE IN SOME WAY. WIDJOJO FELT THAT THIS WAS AN EXCELLENT DEVELOPMENT FOR ASEAN.

3. IN AN EFFORT TO MODIFY EXCESSIVE GOI EXPECTATIONS ON WHAT SPECIFIC THINGS THE U.S. WOULD DO FOR ASEAN, HEGINBOTHAM OBSERVED THAT WE DID NOT ENVISAGE A RELATIONSHIP SIMILAR TO THE ASEAN/JAPAN ONE. FOR ONE THING, WE WOULD NOT BE IN A POSITION TO MAKE A \$1 BILLION OFFER LIKE JAPAN HAD BUT WOULD PLAN TO CONCENTRATE ON TECHNICAL
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ASSISTANCE OVER AND ABOVE BILATERAL AID LEVELS. UNLESS A SUITABLE MECHANISM COULD BE FOUND IN THE NEAR FUTURE TO DISCUSS SUCH PROJECTS WITH THE USG, HEGINBOTHAM INDICATED THAT WE MIGHT CONSIDER INQUIRING ON A BILATERAL BASIS WITH ASEAN MEMBERS ABOUT POSSIBLE PROJECTS.

4. WIDJOJO DID NOT APPEAR TO BE TOO CONCERNED ABOUT THE PROBLEM OF EXCESSIVE EXPECTATIONS. HE NOTED THAT HE HIMSELF AFTER LAST YEAR'S MANILA MEETING HAD TAKEN THE POSITION, BOTH PUBLICLY AND WITH GOI OFFICIALS, THAT THE FIRST MEETING WITH THE U.S. HAD GONE QUITE SMOOTHLY AND THAT HE HAD REALLY NOT EXPECTED MUCH BEYOND AN INITIATION OF DISCUSSIONS WHICH IN AND OF ITSELF HAD BEEN SIGNIFICANT.

5. WITH REGARD TO SPECIFIC ASEAN DESIDERATA SUCH AS DEVELOPMENT ASSISTANCE WIDJOJO SAID THAT ASEAN'S ORGANIZATIONAL PATTERN NEEDS TO BE "STRAIGHTENED OUT" AND A SUITABLE CONTACT POINT MUST BE FOUND FOR TECHNICAL DISCUSSIONS. THE ASEAN SECRETARIAT, HE OBSERVED, IS NOT SET UP TO HANDLE SUCH MATTERS BUT SHOULD BE STRENGTHENED AND "NOT JUST BE A POST OFFICE". HE FELT THAT THE PHILIPPINES WERE SYMPATHETIC TO STRENGTHENING THE SECRETARIAT BUT THAT THE OTHER ASEAN MEMBERS DO NOT WANT THE SECRETARIAT TO BE A SUPRA-NATIONAL BODY. WIDJOJO ALSO OBSERVED THAT THE ASEAN STANDING COMMITTEE

WAS TOO SLOW AND EXPRESSED HOPE THAT THE PHILIPPINES COULD BE MORE ACTIVE IN MOVING THINGS ALONG IN THE ASEAN-US.S. RELATIONSHIP. HE NOTED IN THIS CONNECTION THAT A CABINET LEVEL COMMITTEE ON SEAN HAD BEEN SET UP IN MANILA UNDER SECRETARY SICAT'S CHAIRMANSHIP. HEGINBOTHAM COMMENTED THAT TE ASEAN ECONOMIC MINISTERS COULD PROVIDE AN IMPETUS FOR THE PREPARATIONS FOR THE WASHINGTON MEETING. WIDJOJO REPLIED THAT BECAUSE OF ELECTIONS IN INDONESIA AND THE PHILIPPINES THE ECONOMIC MINISTERS WOULDPROBABLY NOT MEET BEFORE APRIL OR MAY.

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6. WIDJOJO ALSO MENTIONED COMMON FUND AND EXPRESSED HOPE THAT SOME PROGRESS COULD BE MADE. HEGINTOTHAM OBSERVED THATPROGRESS ON U.S. SIDE WAS SLOW BUT WELL INTENTIONED. SKED WHETHER HE INTENDED TO PURSUE BILATERAL DISCUSSIONS ON THE CF AT THIS POINT, WIDJOJO REPLIED THAT GOI MIGHT WANT TO PROBE JAPAN VIA ASEAN, BUT WAS ESSENTIALLY WAITING ON U.S. BEFORE MAKING FURTHER MOVES.

MINISTER PRAWIRO, IN SUBSEQUENT MEETING, WAS EQUALLY PLEASED BY PROSPECT OF HIGH-LEVEL MEETING IN WASHINGTON AND NOTED (AS HAD ALSO WIDJOJO) THAT THEY HAD ALREADY LEARNED ABOUT THIS FAVORABLE DEVELOPMENT FROM AMBASSADOR ASHARI IN WASHINGTON. PRAWIRO OBSERVED THAT RELATIONSHIP BETWEEN ECONOMIC MINISTERS AND FOREIGN MINISTERS TENDED TO COMPLICATE SITUATION FOR ASEAN BUT FELT THAT ACHIEVING AGREEMENT ON MAKE-UP OF ASEAN DELEGATIONS (FOR WASHINGTON) WOULD BE NOT PROBLEM. HE HIMSELF WOULD TELEPHONE PATERNO OR SICAT IN MANILA "TO PUSH MATTERS ALONG", NOTING THAT THERE WERE "TWO CHANNELS" IN MANILA, ONE WAS SICAT AND THE OTHER ROMULO.

8. WHEN HIGENBOTHAM TOUCHED ON SUBJECT OF HIGH ASEAN EXPECTATIONS, PRAWIRO REPLIED THAT THIS WOULD BE A PROBLEM IF MEETING WAS WITH FOREIGN MINISTERS ONLY. FOR ASEAN, ECONOMIC MINISTERS SHOULD PLAY A KEY ROLE. HE THOUGHT THE BEST SEQUENCE WOULD BE TO START WITH MEETINGS BY TECHNICAL GROUPS FOLLOWED BY MEETINGS AMONG SENIOR OFFICIALS AND THEN THE MINISTERIAL MEETING. HEGINBOTHAM OBSERVED THAT WE HOPED THAT TECHNICAL MEETINGS COULD BE ORGANIZED BEFORE WASHINGTON MINISTERIAL AND THAT GOI OFFICIALS MIGHT TRAVEL TO WASHINGTON ON SPECIFIC SUBJECTS.

9. HEGINBOTHAM MADE THESE SAME POINTS, BUT IN GREATER
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DETAIL, TO JANI DURING AN HOUR-PLUS CONVERSATION DEVOTED EXCLUSIVELY TO U.S.-ASEAN MATTERS. ALLUDING TO THE DIFFERENT PERCEPTIONS OF WHAT THE ASEAN-U.S. RELATIONSHIP SHOULD BE, HE CAUTIONED THAT ASEAN EXPECTATIONS MAY BE TOO GRANDIOSE. SUCH DOMESTIC ISSUES AS UNEMPLOYMENT, UNDER-UTILIZED INDUSTRIAL CAPACITY, AND DUMPING MADE IT UNREALISTIC TO EXPECT THE AMERICAN PEOPLE OR CONGRESS TO GRANT MAJOR TRADE CONCESSIONS AT THIS TIME. HE URGED ASEAN TO NOTE SOME OF THE MORE SUBTLE U.S. EFFORTS TO ASSIST ASEAN, INCLUDING OUR EFFORTS TO STEER THE ADB TOWARDS GREATER ASSISTANCE TO ASEAN. ASKED BY JANI, WHO APPEARED TO HAVE A GOOD UNDERSTANDING OF THE REALITIES OF WHAT WE COULD DO, WHAT BESIDES AID THE U.S. WAS PREPARED TO CONSIDER, HEGINBOTHAM SAID THE PRINCIPAL FOCUS WOULD BE ON THE BUSINESS AND INVESTMENT FIELDS. HE SAID THE NEGATIVE ATTITUDE TOWARDS FOREIGN INVESTMENT BY U.S. FIRMS WAS CHANGING AND SAID HE HOPED IT WOULD BE POSSIBLE FOR EXIM CHAIRMAN MOORE TO VISIT THE ASEAN COUNTRIES IN THE SECOND HALF OF THIS YEAR.

10. HEGINBOTHAM MADE A STRONG PITCH FOR A MINISTERIAL MEETING IN THE SECOND HALF OF JULY. THIS TIME WAS THE BEST, HE SAID, BECUASE OF THE AVAILABILITY OF THE SECRETARY, THE FACTS THAT CONGRESS WOULD STILL BE IN SESSION AND NO COMPETING EVENTS SUCH AS THE IMF, IBRD OR UNGA MEETINGS. HE THOUGHT IT WOULD BE HIGHLY WORTH-WHILE FOR ASEAN TO SEND MINISTERS WHO COULD EXPLAIN THE ORGANIZATION'S ASPIRATIONS TO AN ADMINISTRATION WHICH IS STILL NEW AND NOT YET THOROUGHLY ACQUAINTED WITH ASEAN. HE SAID THE MANILA SOLUTION TO THE QUESTION OF MINISTERIAL MAKE-UP, WHEREBY FOREIGN MINISTER ROMULO CHAIRED THE ASEAN DELEGATION BUT WAS SUPPORTED BY ECONOMIC MINISTERS FROM THE OTHER FOUR, SEEMED IDEAL. HEGINBOTHAM EXPRESSED CONCERN THAT A MEETING OF ONLY FOREIGN MINISTERS WHICH FAILED TO EXPLORE ECONOMIC TOPICS THOROUGHLY MIGHT RESULT IN ASEAN BEING PERCEIVED
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AS A POLITICAL AND/OR SECURITY ARRANGEMENT. JANI READILY AGREED.

11. AT THIS POINT, HEGINBOTHAM SAID, THE MOST IMPORTANT THING IS TO ESTABLISH THE ASEAN MECHANISM WITH WHICH U.S. OFFICIALS CAN SIT DOWN FOR PRELIMINARY DISCUSSIONS. WE HAVE EXPRESSED WILLINGNESS TO SEND A TEAM TO THE ASEAN REGION BUT HEGINBOTHAM SPECULATED THAT IT MIGHT BE BETTER FOR ASEAN TO SEND ITS DECISION MAKERS TO WASHINGTON TO SEE FULLY THE WAYS IN WHICH WE ARE PREPARED TO ASSIST. PERHAPS THE SIMPLEST WAY TO APPROACH THE AID QUESTION WOULD BE TO TAKE A MODEL PROJECT IN EACH COUNTRY AND SUPPORT IT WITH FUNDS AND ASSISTANCE IN AN EFFORT TO START A REGIONAL TRAINING

EFFORT. IN RESPONSE TO JANI'S QUESTION, HE SAID \$2
TO \$4 MILLION IN SEED MONEY HAD ALREADY BEEN PROGRAMMED.

12. IN CLOSING, DAS AGAIN STRESSED THE NEED FOR THE
EARLIEST POSSIBLE ESTABLISHMENT OF AN ASEAN MECHANISM
WITH WHICH WE CAN ESTABLISH CONTACT FOR TECHNICAL
DISCUSSIONS PRIOR TO MINISTERIAL CONFERENCE.

13. COMMENT: GOI WAS CLEARLY PLEASED BY HEGINBOTHAM'S
UNDERLINING OF WASHINGTON'S DECISION TO ELEVATE SECOND
DIALOGUE MEETING. GOI CAN BE EXPECTED TO GIVE ITS FULL
SUPPORT TO THIS DECISION WITH OTHER ASEAN MEMBERS BUT
IT MAY BE SEVERAL WEEKS BEFORE THEY WILL BE ABLE TO
CONCENTRATE ON THE DETAILED MODALITIES FOR THE MEETING.
SINCE THE ECONOMIC MINISTERS ARE NOT LIKELY TO MEET
BEFORE APRIL OR MAY, GOI WILL PROBABLY LOOK TO MANILA
TO TAKE THE LEAD IN WORKING OUT A PROGRAM FOR TECHNICAL
MEETINGS PRIOR TO THE MINISTERIAL. MASTERS
UNQUOTE VANCE

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